

Special Economic Zones (SEZ's) Shenzhen, China.



What is an SEZ?

Special Economic Zones or SEZ's were set up by the Chinese government to attract inward investment from foreign companies/TNC's. They brought these into operation to help the economy of China.

It did this by providing **Tax incentives** for companies so that they don't pay any tax for the **first 3 years**.

Advantages

- ⊕ The Chinese government has invested a great deal of money in industry and allowed foreign investment from abroad. With the rapidly increasing population in China there is always a ready supply of cheap labour so manufacturing costs are kept down. They have encouraged industry to develop in open cities and economic growth regions by reducing restrictions.
- ⊕ In the Special Enterprise Zones lower/zero tax rates are enforced.
- ⊕ Local unemployment rate has reduced meaning that there is less a burden on government benefits.
- ⊕ TNC's such as Nike, Adidas started to make huge profits and help local workers have some job security.
- ⊕ China's economy now grows by approximately 9% per year and 6-0% of the increase in World Trade since 2004 has been down to SEZ influence.
- ⊕ Local infrastructure has improved due to the TNC's things such as airports and roads.
- ⊕ Employees in poorer countries get a more reliable income compared to normal jobs like farming hours in poor conditions

Disadvantages

- ⊕ China has 16/20 most air polluted cities in the world, has serious problems with smog
- ⊕ China is the second largest purchaser of new cars creating more vehicle pollution.
- ⊕ China has suffered from huge deforestation 30% of the country suffers from acid rain due to the coal-fired power stations (2 new ones opened every week!).
- ⊕ China has a 70% pollution rate for its rivers and lakes
- ⊕ China has a large incidence of poverty with 20% (268million) living on less than \$1 per day and a high occurrence of the exploitation of child labour.
- ⊕ Workers in China get far less wages in comparison to workers in MEDC's.
- ⊕ Health and Safety laws lower than MEDC's meaning that accidents often go unreported by the large TNC's who are mainly interested in maximising profits.

The province of Guangdong has been terribly important as it attracts much foreign investment due to having 3 of the 5 original SEZs (Special Economic Zones - located on the coast, these have tax incentives to encourage the relocation of TNCs in addition to the country's already attractive low wages, long working hours and lack of strict workplace regulations. All SEZs also contain an export processing zone where businesses can import raw materials, make them into finished products and then export these without paying any duties or tax. Shenzhen is one of these SEZs and has a growing population of 9m; this SEZ is particularly attractive because it is close to Hong Kong which, after return to China in 1997 (it was a British Colony), it is to be kept separate (e.g. government, foreign policies) from China for 50 years and has special status as a duty free port.

